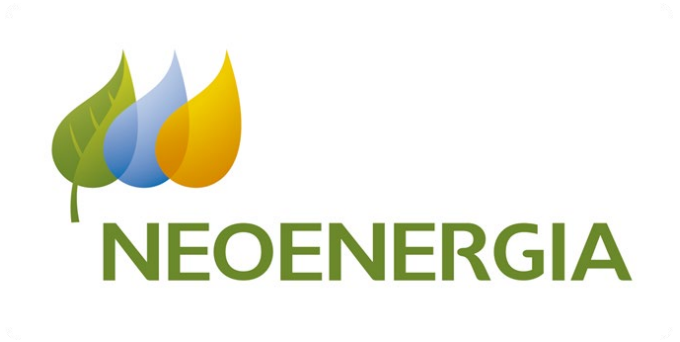


SUSTAINABILITY-LINKED FINANCE FRAMEWORK

MAY 2023

Index

This financing framework is based on the Sustainability-Linked Loan Principles published by the Loan Market Association in 2023[1] and the Sustainability-Linked Bond Principles published by the International Capital Markets Association in 2020[2].

[1] Link: https://rb.gy/fl216
[2] Link: https://rb.gy/4iq9i

ABOUT NEOENERGIA

Neoenergia S.A. is an integrated energy company that operates in three strategic segments: Networks (distribution and transmission); Renewables (wind and hydroelectric generation) and Liberalized (thermal generation, energy trading and services). A publicly traded company, with shares traded on B3 (Brazil Stock Exchange and Over-the-Counter Market), Neoenergia is controlled by Spanish Group Iberdrola, which, on March 31, 2023, held 53.5% of the shares. On that same date, PREVI had a 30.3% interest, and the remaining 16.3% were free float. Neoenergia operates as a holding company, with a stake in other companies with businesses in the same area of activity (see below "Business Presence").

Power Generation	Transmission	Networks	Trading
• 5.1 GW installed capacity, of which 3 GW hydro, 1.4 GW wind, 143 MW solar, and 533 MW thermal.	• 2.5 thousand km lines in operation • 6.1 thousand km lines under construction	• 16.1 million consumer units • 37.7 million people served • 841,000 km2 concession area	• 4,45 TWh traded in 2021

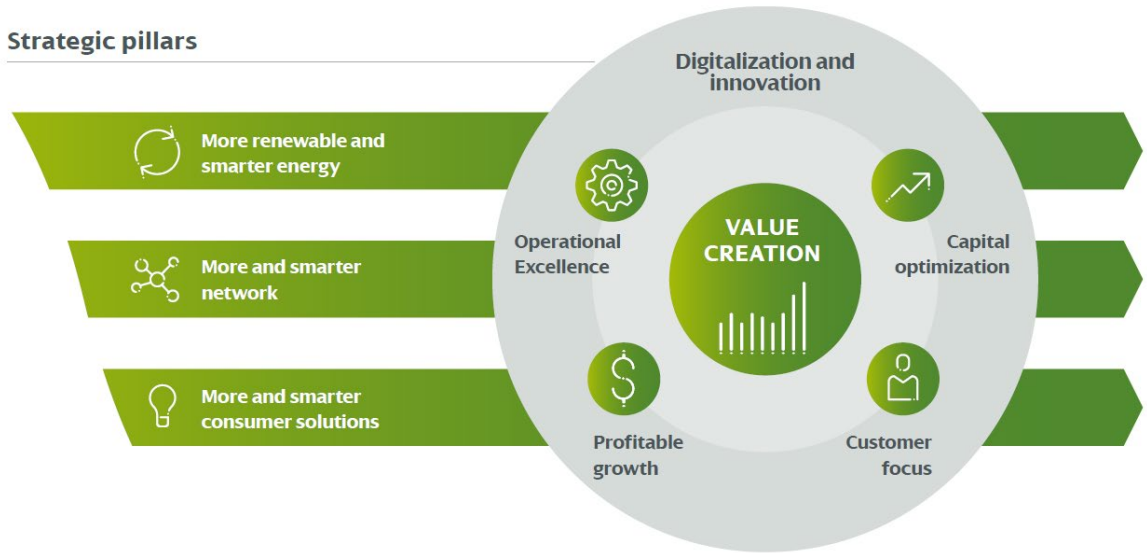
Data as of March 2023

STRATEGY AND VISION FOR THE FUTURE

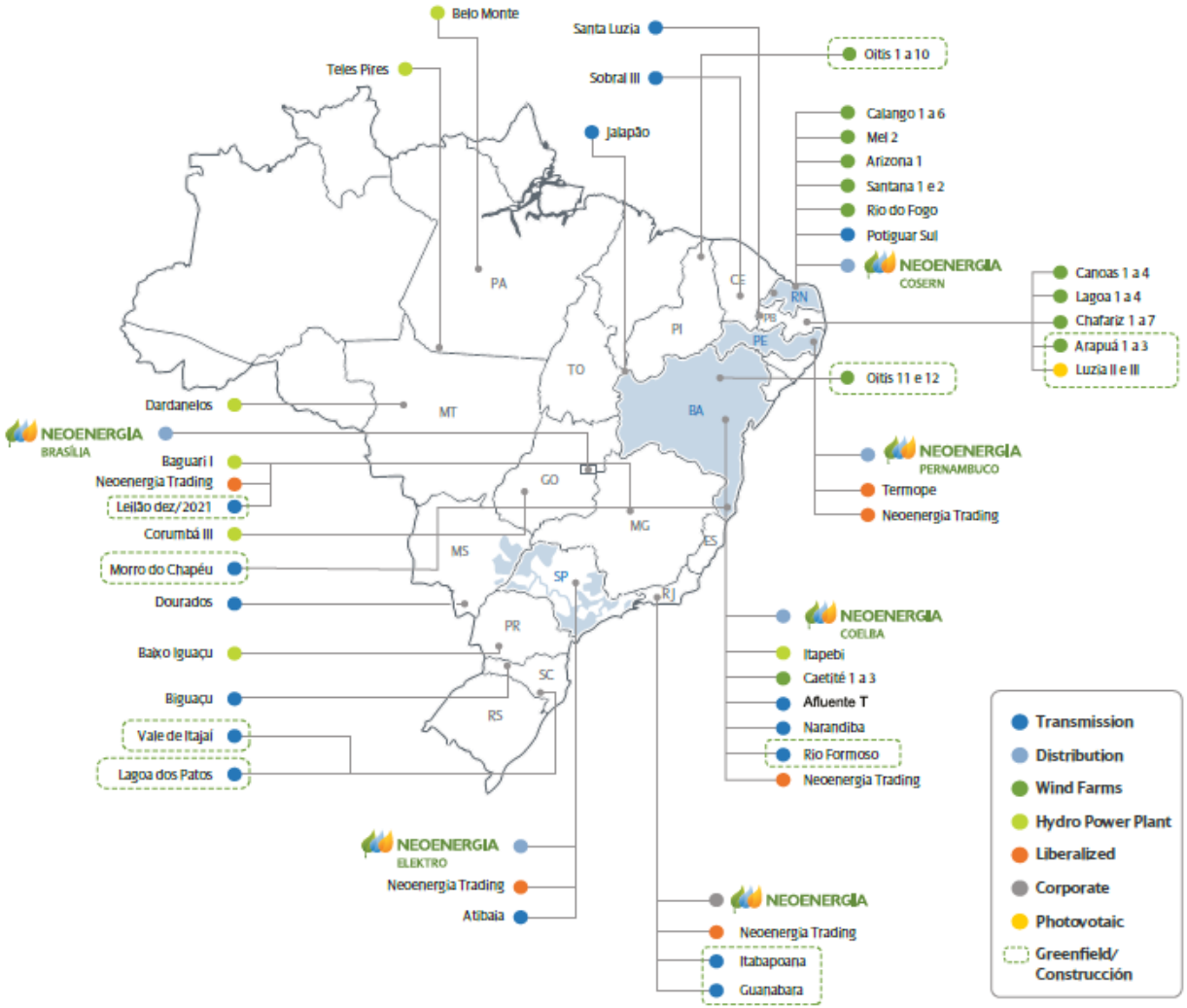
Neoenergia follows an "ESG + F" strategy aimed at creating sustainable value and establishing the company as the largest and most profitable integrated electricity company in Brazil, with quality service. To this end, it seeks to leverage growth opportunities by focusing its attention on regulated businesses, with an emphasis on increasing renewable energy transmission, distribution, and generation.

Social responsibility and sustainability are part of Neoenergia's Strategic Plan, which is organized around five pillars: (1) Operational Excellence, (2) Customer Focus, (3) Profitable Growth, (4) Capital Optimization, and (5) Digitalization and Innovation – which is cross-cutting and applies to all projects and processes. Together, these five pillars support the development of smarter businesses to bring more renewable energy, networks, and smart solutions to consumers.

Financial stability is also considered a key balancing factor. The company strives to maintain high levels of solvency and liquidity to ensure regular operations, good access to capital markets, and compliance with a policy oriented toward growing dividends, in line with the improvement of company results.



BUSINESS PRESENCE



ENERGY TRANSITION

Neoenergia is committed to the energy transition, with a goal of achieving carbon neutrality by 2050.

Neoenergia believes that electricity can uniquely contribute to overcoming the challenge of the energy transition through a further integration of renewable energy into the generation mix and several production processes. It also believes in the potential of electricity to power other industries, such as transportation, heating, and cooling, which still have a low electrification rate and together account for more than 50% of emissions in the energy sector.

Electrifying the economy also calls for efficient, intelligent, and flexible electricity transmission and distribution infrastructure, which can successfully integrate renewable energy sources and meet new requirements in connectivity, digitalization, and demand management.

With a focus on renewable energy and smart grids, Neoenergia will continue to reinforce its commitment to the energy transition by undertaking total investments of R$ 25 billion until 2025.

In line with this commitment, Neoenergia invested R$ 9.9 billion capex in 2022, of which R$ 8.1 billion in networks (R$ 5.5 billion in expansion and enhancements of distribution networks + R$ 2.6 billion in new transmission lines) and R$ 1.7 billion in renewable energy, mainly linked to the new Chafariz (471.2 MW) and Otis (566.5 MW) wind facilities and the Luzia (149.3 MWp) solar park.

At the same time, Neoenergia is preparing itself for new decarbonization technologies, such as offshore wind generation and green hydrogen. It is also investing in green mobility through R&D programs, such as the "Green Corridor" – the largest electric mobility corridor in Brazil with 18 charging stations for electric vehicles, as well as through the electrification of its light vehicle fleet, currently at 8%.

GENDER EQUALITY

Neoenergia aims to develop labor relations based on equal opportunities, non-discrimination, and respect for diversity. Iberdrola, Neoenergia's controlling shareholder, is also a signatory of the Women Empowerment Principles. Hence, gender equality is a key component of the organization's core values.

As of December 2022, female employees represented 19.2% of Neoenergia's total workforce, with 117 women in direct leadership positions (directors, superintendents and managers) or 29% of the total. To tackle this, the company has put in place various programs to promote the hiring of women, particularly for male-dominated technical jobs.

One of these initiatives is the "School for Electricians" program, which provides free technical training to residents of the company's concession areas (Bahia, Pernambuco, Rio Grande do Norte, Sao Paulo and Brasilia) to create job opportunities. To incentivize gender participation, there are classes exclusively for women. After graduating from the program, trainees can participate in Neoenergia's selection processes and, even if not immediately hired, they remain in the company's talent pool and can formally work as electricians in the market.

From 2019 to 2022, 617 women were trained in the "School for Electricians" and 353 were hired by Neoenergia, raising the percentage of female electricians to 4.3% in 2022, compared to 0,9% in 2019. The company targets to raise this to 12.2% by 2027. The initiative has been recognized as a role model to the omen Empowerment Principles (WEP) by the UN Women, the International Labor Organization, and the European Union.

SDG ALIGNMENT

The company renews annually its commitments to the United Nations' Sustainable Development Goals (SDGs) – aimed at reducing poverty, promoting well-being and shared prosperity, and protecting the environment; as well as to the UN Global Compact – an initiative that promotes human rights, labour rights, environmental preservation, and the fight against corruption. Neoenergia is also affiliated with the GHG Protocol, and it uses the organization's methodology for its GHG accounting.

The company has undertaken a materiality assessment to identify priority topics in sustainability management. The work, which was based on the GRI guidelines and the AA1000 Accountability standards, included a consultation process with key company leaders and stakeholder representatives. The exercise resulted in the below materiality matrix that maps contributions against company priorities and the SDGs.

Based on its materiality assessment, Neoenergia established SDG-7 (affordable and clean energy) and SDG-13 (climate action) as key priorities for the Group.

The company is also committed to other SDGs that are related to strategic topics, such as SDG-6 (clean water and sanitation), SDG-9 (industry, innovation, and infrastructure), SDG-15 (life on land) and SDG-17 (partnerships for the goals).

Six more objectives are considered of indirect contribution: SDG-1 (no poverty), SDG-3 (good health and well-being), SDG-4 (quality education), SDG-5 (gender equality), SDG-8 (decent work and economic growth) and SDG-16 (peace, justice, and strong institutions).

Neoenergia's actions against the SDGs are summarized in detail in their Sustainability Reports.

NEOENERGIA'S MATERIALITY MATRIX

Temas materiais	Foco principal		Contribuição direta				Contribuição indireta										
	7	13	6	9	15	17	1	2	3	4	5	8	10	11	12	14	16
Prioritários																	
Ética e integridade																	☑
Saúde e segurança									☑			☑					
Transição energética	☑	☑			☑							☑			☑		
Diversidade e igualdade de oportunidades											☑	☑	☑				
Satisfação do cliente	☑						☑								☑		☑
Conectividade, digitalização e cibersegurança																	☑
Integração de energias renováveis ao sistema elétrico		☑			☑				☑						☑	☑	
Desempenho econômico e financeiro	☑	☑		☑	☑			☑			☑				☑	☑	
Mudança climática	☑	☑			☑				☑			☑			☑	☑	
Investimento socialmente responsável		☑															
Relevantes																	
Inovação e novos modelos de negócios				☑													
Clientes vulneráveis	☑																
Gestão da biodiversidade			☑		☑											☑	
Redes inteligentes e qualidade de fornecimento	☑			☑				☑			☑			☑			
Impacto nas comunidades locais					☑	☑	☑		☑			☑	☑	☑			
Cadeia de fornecimento responsável											☑		☑				☑
Direitos humanos													☑				☑
Transparência		☑			☑				☑						☑	☑	☑

SUSTAINABILITY-LINKED FINANCE FRAMEWORK

Neoenergia is committed to support the energy transition across its business operations, including through sustainable financing.

In 2020, Neoenergia published its Green Finance Framework[3], in alignment with the Green Bond Principles by ICMA and the Green Loan Principles by LMA. The framework, which received a formal Second Party Opinion (SPO) by NINT[4], defines eligible use-of-proceeds for Neoenergia's green financings across renewable energy, transmission, and distribution.

In 2022, Neoenergia published its first Sustainability-Linked Finance Framework, in alignment with the Sustainability-linked Loan Principles by LMA and the Sustinability-linked Bond Principles by ICMA[5]. The framework also received a SPO by NINT[6].

Leveraging its Green Finance Framework and its Sustainability-linked Finance Framework, Neoenergia issued approximately R$3.6 billion of sustainable debt in 2022, including:

- Green + sustainability-linked loan from IFC to Neoenergia Coelba, R$ 550 million
- Green loan from BNDES to Neoenergia Dourados, R$ 375 million
- Green loan from BNDES to Neoenergia Santa Luzia, R$ 369 million
- Green loan from BNDES to Neoenergia Vale do Itajai, R$ 1,305 million
- 2nd commercial green note to Neoenergia Pernambuco, R$ 450 million
- 5th green debenture to Neoenergia Brasilia, R$ 300 million
- 11th green debenture to Neoenergia Elektro, R$ 200 million

Now, Neoenergia wants to update its Sustainability-Linked Finance Framework to reflect updated Sustainability Performance Targets (SPTs) linked to the Group's materiality matrix (see above), with special emphasis on SDG-7 and SDG-13.

The Company may choose one or more SPTs as defined in this framework for each issuance. Depending on its financing needs, Neoenergia may also choose to combine its Green Financing Framework and Sustainability-Linked Finance Framework for "super green" structures – i.e. sustainability-linked instruments in which Neoenergia will also commit to use the proceeds for green projects.

[3] Neoenergia (2020). "Neoenergia's Green Finance Framework". Link: https://rb.gy/tttav
[4] NINT (2020). "SPO on Neoenergia's Green Finance Framework". Link: https://rb.gy/tttav
[5] Neoenergia (June 2022). "Neoenergia's Sustainability-linked Finance Framework". Link: https://rb.gy/tttav
[6] NINT (October 2022). "SPO on Neoenergia's Sustainability-linked Finance Fraemwork". Link: https://rb.gy/tttav

SPT 1: FEMALE ELECTRICIANS

KPI	Percentage of female electricians out of total electricians (%).
KPI CALCULATION	*Female electricians:* Female electricians at the Neoenergia level (#) *Total electricians:* Total electricians at the Neoenergia level (#).

RATIONALE

Relevance: Gender gaps and occupational segregation remain a challenge in Brazil, who ranks at the bottom of 22 Latin American nations in the latest Global Gender Gap Report by the World Economic Forum[7]. These imbalances are especially important in the technical jobs; with women only accounting for 22% of the workplace in energy companies[8] and 2.4% of electricians globally[9].

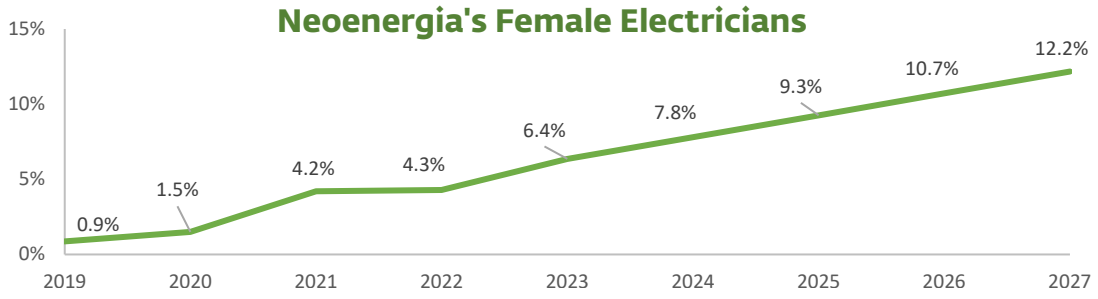
Materiality: Given the strategic relevance, diversity and equality are important priorities for Neoenergia (see materiality matrix). The Group undertakes several actions to achieve gender equality in the workplace, in line with its commitment to SDG-5 (Gender) and SDG-8 (Full and productive employment and decent work for all). This includes the "School for Electricians" program, which promotes female participation in the electricity sector. In the program, women in the company's concession areas receive free training through gender-specific classes. After graduation, Neoenergia helps them participate in their selection process and, in many cases, hires them as part of their technical workforce.

External Recognition: The program has been recognized as a role model of the Women's Empowerment Principles (WEP) by the UN Women, the International Labor Organization, and the European Union.

SPT	Increase the percentage of female electricians from 4.3% in 2022 to 12.2% in 2027.

SPT CALIBRATION

	2019	2020	2021	2022	2023	2024	2025	2026	2027
Female electricians (%)	0.9%	1.5%	4.2%	4.3%	**6.4%**	**7.8%**	**9.3%**	**10.8%**	**12.2%**



From 2019 to 2022, 617 women were trained in the "School for Electricians" and 353 were hired by Neoenergia, raising the percentage of female electricians from 0.9% in 2019 to 4.3% in 2022 – i.e. well-above the average of 2.4% in the sector. Reaching 12.2% of female electricians by 2027 will position Neoenergia as a leader in gender equality for technical jobs – with 5.1x more female electricians than the sector average.

LOAN CHARACTERISTICS

Achievement by Neoenergia of SPT 1 by December 31, 2027 will trigger a step-down in the applicable margin, bringing to a decrease the interest rate applicable to interest periods following such date.

[7] World Economic Forum (2022). "Global Gender Gap Report 2022". Link: https://rb.gy/1ze7y
[8] IRENA (2019). "Renewable Energy: A Gender Perspective". Link: https://rb.gy/1ze7y
[9] New York Times (2020. "In a Field Dominated by Men, She's in Charge". Link: https://rb.gy/l4xn9

SPT 2. DIGITALIZATION AND SMART GRIDS

KPI	Network Digitalization (%).
KPI CALCULATION	Network digitalization is calculated as a weighted average of the following sub-components: i. 40% - Automated substations. This KPI is calculated as the number of automated substations out of total substations. To be considered automated, a substation must have remotely controlled devices that acquire real-time information and allow it to monitor / perform remote operations. $$Automated\ substations\ (\%) = \frac{Number\ of\ automated\ substations}{Total\ substations}$$ ii. 40% - Automated equipment (%). This KPI measures the density of automated reclosers / switches in the network- which are used to protect and restore the grid in case of outages; compared to a target (17 km / equipment – i.e. when automation of new equipment is expected to have a low contribution to Neoenergia's grid performance). $$Automated\ Equipment\ (\%) = 1 - \frac{km\ /\ equipment\ - target(17\ km\ /\ equipment)}{km\ /\ equipment}$$ iii. 20% - Real Time System Maturity (%). This KPI evaluates the implementation of various functionalities in Neoenergia's grid, such as SCADA technology, GIS integration, and others.
RATIONALE	
Relevance: In its Nationally Determined Contribution (NDC) for the Paris Agreement, Brazil committed to reduce its GHG emissions in 2030 by 50%[10], compared with 2005 (862,809 gCO2eq without LUCF). The Energy sector represented 38.1% of total GHG emissions in Brazil in 2005. Higher penetration of renewables will be key to reduce GHG emissions from the energy sector. In 2020, renewable sources accounted for 48.8% of total energy demand in the country – i.e. 3x the world average, and 84.8% of total electricity demand. Hydropower represents 60% of total installed capacity; but the country's share of intermittent renewables (solar and wind) is already at 20% and experiencing rapid growth[11]. Brazil has committed to expand non-hydro renewables to between 28% and 33% by 2030[12] Smart grids are essential for a greater penetration of intermittent renewable sources by enabling: (i) more complex dispatch management; (ii) faster maintenance leading to reduced downtime; and (iii) new bidirectional scenarios - important in the context of growing distributed generation and electromobility. They also contribute directly to (a) climate mitigation by reducing fugitive emissions and emissions from network losses, and (b) climate adaptation by increasing the grid's resilience to extreme weather events. *Materiality*: Neoenergia is an integrated utility that operates in the generation (5.1 GW installed capacity – of which 1.5 GW wind and solar, plus 1.2 GW of wind and solar in construction), transmission, and distribution sector (76.1 TWh of energy distributed in 2022). Digital networks are essential for the company to operate efficiently across its different business lines. Moreover, in 2022, Neoenergia's SF6 fugitive emissions and emissions from energy losses amounted to 242,047 gCO2eq – i.e. 70% of its total Scope 1 + Scope 2 emissions. Digitalization and smart grids are hence a key component of the company's decarbonization strategy[13].	

[10] UNFCC (2022). "Federative Republic of Brazil: Paris Agreement NDC". Link: https://rb.gy/z485x
[11] UNFCC (2005). "Emissions Summary for Brazil". Link: https://rb.gy/hn1rr
[12] UNFCC (2022). "Federative Republic of Brazil: INDC". Link: https://rb.gy/1ze7y
[13] Neoenergia (2022). "Relatorio Annual de Sustentabilidade 2022". Link: https://rb.gy/36yyj

Lastly, the average temperature in Neoenergia's operation area is expected to increase by up to 1.9°C in the mid-term due to climate change, impacting electricity profiles through a higher need for cooling. Extreme precipitation is also set to increase by up to 17%, leading to more damage across the grid from heavy rain[14]. Digitalization is key for Neoenergia's climate adaptation strategy.

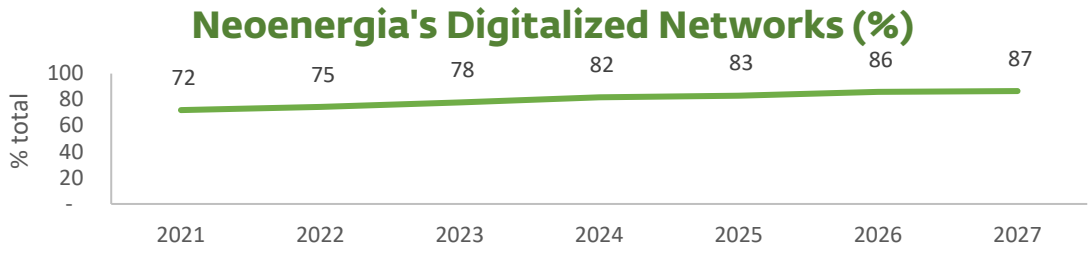
Digitalization and smart grids are a key strategic priority for Neoenergia to further integrate renewables into the grid, to decarbonize its business, and to increase its resilience to climate change (see materiality matrix). This is in line with the company's commitment to SDG-7 (Clean Energy for All) and SDG-13 (Climate Change).

External Recognition: The International Energy Agency (IEA) recognizes the importance of smart grids and digital technologies to decarbonize the energy sector[15], which can provide 185 GW of system flexibility globally. To enable this, the IEA has launched a four-year cross-agency initiative – i.e. Digital Demand-Driven Electricity Networks (3DEN), which works to accelerate progress on grid modernisation and digitalization, with a focus on select countries including Brazil.

SPT	Increase the share of digitalized networks from 75% in 2022 to 86.6% in 2027.

SPT CALIBRATION

	2021	2022	2023	2024	2025	2026	2027
Digitalized Networks (%)	**72.0%**	**74.5%**	**78.0%**	**81.9%**	**83.1%**	**85.9%**	**86.6%**
Automated Substations	100%	100%	100%	100%	100%	100%	100%
Automated Equipment	62%	63%	64%	67%	70%	73%	75%
RTS Maturity	43%	43%	62%	76%	76%	86%	86%



From 2021 to 2022, Neoenergia increased its share of digitalized networks from 72% to 74.5%. As discussed above, this has important implications for the company's integration of renewables and decarbonization strategy, both through reduced losses and better quality of service.

In 2022, Neoenergia's distribution companies (Cosern, Coelba, Elektro, Celpe, Brasilia – in charge of managing its networks) ranked in the top 45% of all distribution companies in Brazil in terms of quality of service, as per the regulator's Global Continuity ranking. Excluding Brasilia, which represented only 3.5% of the company's distribution EBITDA, the company ranked in the top 28% in quality of service. In addition, Neoenergia's distribution companies ranked in the top 50% in terms of actual losses vs. regulatory losses[16].

Reaching 86.6% of digitalized networks in 2027 will position Neoenergia as a leader in the smart grids space, in line with IEA priorities, as the only energy company in Brazil with a digitalization target. This will improve the company's operational performance even further, while reducing its GHG emissions.

LOAN CHARACTERISTICS

Achievement by Neoenergia of SPT 2 by December 31, 2027 will trigger a step-down in the applicable margin, bringing to a decrease the interest rate applicable to interest periods following such date.

[14] IFC (2023). "IFC Climate Risk Tool".
[15] IEA (2023). "Digital Demand-Driven Electricity Networks Initiative". Link: https://rb.gy/jcsq9
[16] ANEEL (2022). "Relatorio de Indicadores de Sustentabilidade Economico-Financeira das Distribuidoras". Link: https://rb.gy/rgimd

REPORTING

SUSTAINABILITY ACCOUNTABILITY PRACTICES

Neoenergia produced its first Integrated Report in 2020 in accordance with the guidelines of the International Integrated Reporting Council (IIRC) and the GRO Standards of the Global Reporting Initiative. The company has been reporting its performance annually since 2004, and since 2010 it has adopted the GRI standards, in addition to following the requirements of the Social, Environmental and Economic-Financial Report Preparation Manual published by the Brazilian Electricity Regulatory Agency (ANEEL). This document also reflects the company's commitments to the UN Global Compact and the SDGs.

Neoenergia's Integrated Sustainability Report is published annually, and it includes economic, social and environmental aspects, as well as mapped risks and opportunities that are considered of interest to shareholders and other stakeholders. This report includes companies controlled and managed by Neoenergia, comprising five distributors (Neoenergia Elektro, Neoenergia Coelba, Neoenergia Cosern, Neoenergia Pernambuco and Neoenergia Brasilia), multiple generation assets, and various transmitters in operation. Social and environmental data of commercialization and service companies, as well as for various renewable energy assets under construction are not consolidated.

Non-financial information in Neoenergia's Sustainability Report is verified annually by an internal audit, an internal control tool and an external audit by KPMG Advisors.

REPORTING OF SUSTAINABLE FINANCING INSTRUMENTS

Neoenergia will provide aggregated reporting for all its sustainable financing instruments through its Integrated Sustainability Report, including:

- Definition of KPI(s) and SPT(s) for sustainability-linked financings, including calculation methodologies, strategies for SPT achievement, and explanation of planned back-up mechanisms if SPTs cannot be calculated or observed.
- Description of the agreed financial incentives and other relevant structural characteristics for sustainability-linked bonds.
- Annual update on the performance of the selected SPT(s), with reference to original baseline.
- Illustration of potential positive impacts of enhanced sustainability performance in relation to the SPT(s).
- Exceptional events (such as significant change in consolidation scope because of material M&A activities, drastic changes in regulatory environment or extreme events) that might substantially impact the calculation of KPI(s), restatement of SPT(s) and/or pro-forma adjustments of baselines or scope.

VERIFICATION

VERIFICATION

Neoenergia's progress against its SPT(s) will be reported in the company's Sustainability Report, which is prepared according to international sustainability accounting standards and verified annually by an external auditor (see "Sustainability Accounting Practices").

SECOND-PARTY OPINION

Neoenergia's updated Sustainability-Linked Finance Framework will be reviewed by NINT - NATURAL INTELLIGENCE, who also issued a SPO on the company's Green Finance Framework in December 2020 and a SPO on the company's first Sustainability-Linked Finance Framework in October 2022.